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Indiana Department of Financial Institutions

YOUR OWN HOME

Overheads



Building: Knowledge,
Security, and Confidence

FINANCIAL EDUCATION

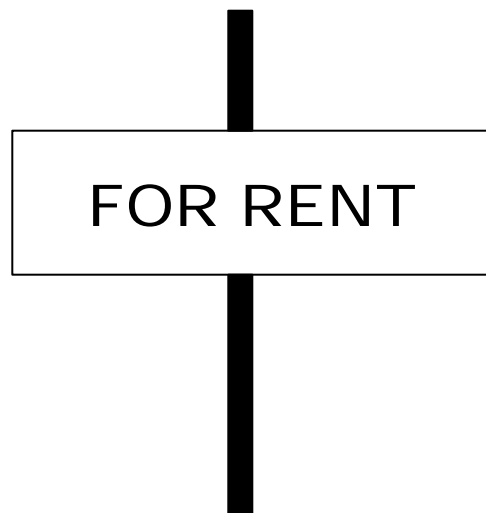
You Will Know

- The benefits and pitfalls of renting versus owning
- How to determine your readiness to buy a home
- Different mortgage programs
- Basic terms used in the mortgage process



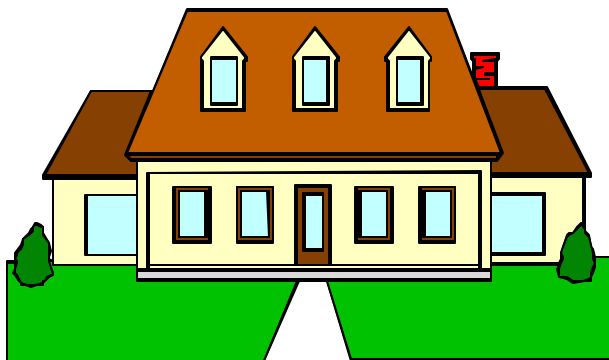
Renting

- No property maintenance
- You are only under contract for one year or less
- You do not have the costs of taxes and insurance



Owning a Home

- You can build equity
- A home generally increases in value
- The home is yours
- Your mortgage interest and property is tax deductible
- You can pass your home on to family members



Characteristics of Government Programs

- Zero or low down payments
- Flexible underwriting standards
- Longer payment terms
- Requirements for homeowner education
- Some restrictions



Patricia's Savings

Patricia saved \$50 a month for 30 months	\$1,500
Matched amount $\$1,500 \times 3$	\$4,500
Total savings in IDA $\$1,500 + \$4,500$	\$6,000
Patricia's previous savings	\$ 600
Patricia's total savings	\$6,600



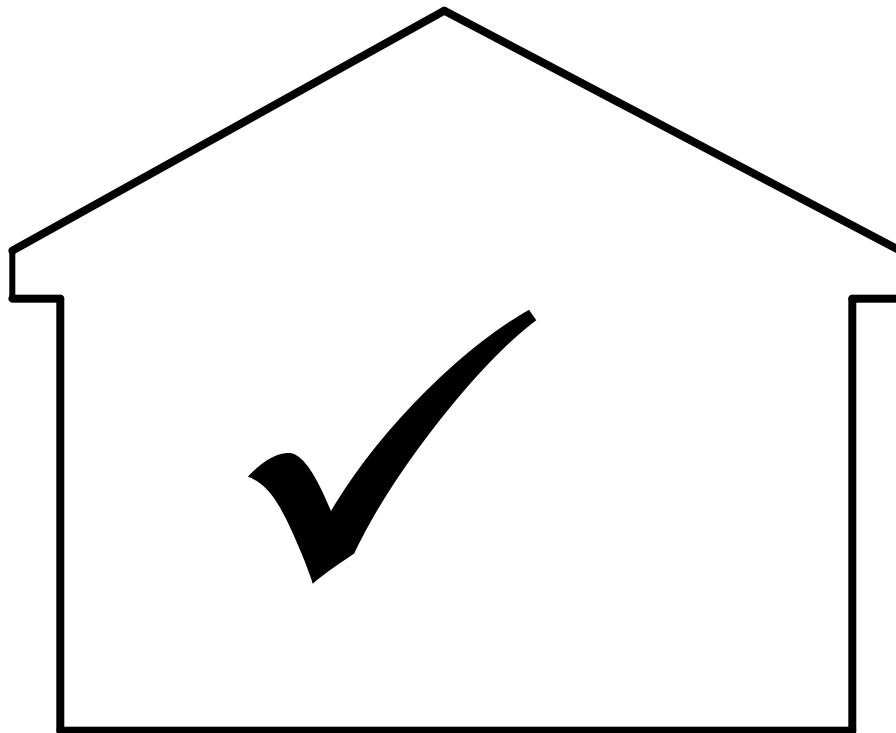
Components of a Mortgage Payment

- P = Principal
- I = Interest
- T = Taxes
- I = Insurance



The Three Cs

- CAPACITY – Ability to meet your payments
- CAPITAL – Savings and assets for collateral
- CHARACTER – Credit history



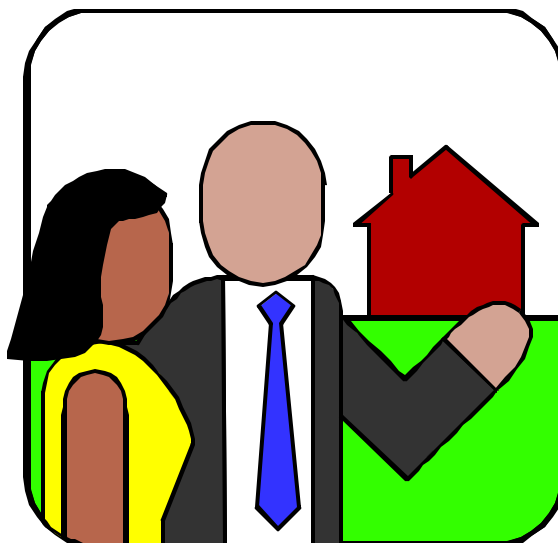
Pre-Qualification

- How much mortgage you can afford
- Informal, no paperwork, no obligation
- Figure is not exact



Pre-Approval

- Commitment from the lender to lend you money
- Tells you how much you can obtain



Shop, Compare, Negotiate!

- Check newspapers and Internet for terms and rates
- Negotiate the best deal you can
- Let lenders compete
- Get the costs in writing



Patricia's Mortgage

Cost of Townhouse	\$70,000
5% Downpayment	\$3,500
30 year mortgage @ 8%	\$66,500
Monthly P & I	\$488
Monthly T & I	\$88
Mortgage Insurance	\$55
Maintenance	\$65
Total Housing Expenses (27.84% of \$2,500 monthly income)	\$696
Long Term Debt	\$200
Total Housing and Long Term Debt (35.84% of \$2,500 monthly income)	\$896

